

Outcomes of the Assembly Bill 98 Subsidized Employment Program: 2011 - 2012

April 2013



STATE OF CALIFORNIA
Edmund G. Brown Jr., Governor

CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY
Diana S. Dooley, Secretary

CALIFORNIA DEPARTMENT OF SOCIAL SERVICES
Will Lightbourne, Director

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Legislative Mandate

Senate Bill (SB) 72 (Chapter 8, Statutes of 2011) requires the California Department of Social Services (CDSS) to report on the outcomes of the California Work Opportunity and Responsibility to Kids (CalWORKs) Assembly Bill (AB) 98 (Chapter 589, Statutes of 2007) Subsidized Employment Program. SB 72 also expanded eligibility and subsidies for the AB 98 Subsidized Employment Program, effective March 24, 2011. This report discusses the following outcomes of implementing this legislation:

1. The number of CalWORKs recipients who entered subsidized employment;
2. the number of CalWORKs recipients who found nonsubsidized employment after the subsidy ends;
3. the earnings of the program participants before and after the subsidy; and
4. the impact of this program on the state's work participation rate.

Additional copies of this report can be obtained from:

California Department of Social Services
Office of Legislation
744 P Street, M.S. 8-16-32
Sacramento, California 95814
(916) 657-2623

An electronic copy of this report is accessible at:
<http://www.cdss.ca.gov/cdssweb/PG2400.htm>

Executive Summary

Subsidized employment is a California Work Opportunity and Responsibility to Kids (CalWORKs) Welfare-to-Work activity in which a participant's employer is partially or wholly reimbursed for wages and/or training costs. This activity meets both CalWORKs and federal participation requirements, and participants gain valuable job experience while transitioning from unemployment or an unpaid work activity.

The state's subsidized employment structure was created under Assembly Bill (AB) 98 (Chapter 589, Statutes of 2007) and expanded by Senate Bill (SB) 72 (Chapter 8, Statutes of 2011) following the state's very successful use of American Recovery and Reinvestment Act funds in 2009 and 2010. California led the nation using the infusion of federal funds to create over 47,000 subsidized employment jobs in 48 county programs.

SB 72 also requires the California Department of Social Services (CDSS) to submit a report to the Legislature on four categories of outcomes for the AB 98 Subsidized Employment Program, also referred to as the AB 98 Program. These categories are:

1. The number of CalWORKs recipients who entered subsidized employment;
2. the number of CalWORKs recipients who found nonsubsidized employment after the subsidy ends;
3. the earnings of program participants before and after the subsidy; and
4. the impact of this program on the state's work participation rate (WPR).

In order to evaluate the AB 98 Program, CDSS developed protocols for counties to transmit individual-level participant data to a secure website managed by CDSS. Additional data were developed by matching county AB 98 Program data with data from the California Employment Development Department and from the United States Department of Health and Human Services. Outcomes may be underreported because only partial data from San Francisco County was available for this report.

Additionally, this report includes a discussion of the "cost neutral" design of the expanded AB 98 Program. Cost neutrality means that the cost of the wage subsidy paid for a participant is offset by a corresponding savings from the reduction in the participant's CalWORKs cash aid, resulting in no net cost increase to the state. The AB 98 Program was determined to be essentially cost neutral, resulting in no increased costs to the state.

Although the high numbers achieved during the Recovery Act period have not been maintained, the trend is upwards. Following are several of the most significant outcomes determined from the analysis of data from the expanded AB 98 Program:

- As of June 2012, 22 counties were operating AB 98 Programs and had served 4,387 participants. The number of clients participating in the AB 98 Program on a monthly basis increased from 701 in July 2011 to 2,672 in June 2012.

- Of the 797 participants who had completed the AB 98 Program by December 2011, 49.6 percent had stopped receiving CalWORKs cash assistance. Based on data from July 2011 through March 2012, 381 of the 797 participants had transitioned to nonsubsidized work.
- Of these 797 participants, 44.1 percent had improved earnings outcomes. The average increase in earnings for the participants was \$1,289 per quarter. For participants who obtained nonsubsidized employment after the program, the increase in earnings was \$2,874 per quarter.
- CDSS also determined that the AB 98 Program may potentially raise CalWORKs' federal WPR by 0.5 percent while assisting families to become self-sufficient. An average of 81 percent of the 2,135 AB 98 Program participants evaluated from January 2012 through June 2012 met WPR.

Outcomes of the Assembly Bill 98 Subsidized Employment Program: 2011 – 2012

Introduction

Subsidized employment is paid work in which a California Work Opportunity and Responsibility to Kids (CalWORKs) participant's employer is partially or wholly reimbursed for wages and/or training costs. This report describes outcomes of the CalWORKs Assembly Bill (AB) 98 (Chapter 589, Statutes of 2007) Subsidized Employment Program (AB 98 Program) as expanded by Senate Bill (SB) 72 (Chapter 8, Statutes of 2011). CalWORKs is the State of California's version of the federal Temporary Assistance for Needy Families (TANF) Program. Effective March 24, 2011, SB 72 expanded the eligible population for the AB 98 Program, increased the duration of qualifying job placements, and increased the maximum amount of wage subsidies that the California Department of Social Services (CDSS) will provide counties outside of their Single Allocation grants, which fund the administration of their CalWORKs Programs. This expansion was made possible by designing the AB 98 Program to be cost neutral to the state budget.

SB 72 also requires that four categories of outcomes for the AB 98 Program be submitted in a report to the Legislature. These categories are:

1. The number of CalWORKs recipients who entered subsidized employment;
2. the number of CalWORKs recipients who found nonsubsidized employment after the subsidy ends;
3. the earnings of the program participants before and after the subsidy; and
4. the impact of this program on the state's work participation rate (WPR).

Outcomes may be underreported because only partial data from San Francisco County was available for this report.

Background

In accordance with SB 72, CDSS provides this report to inform the Legislature of the information gathered from counties regarding the outcomes for CalWORKs participants in the AB 98 Program.

Expanding the AB 98 Program

Counties provided subsidized employment opportunities to over 47,000 CalWORKs and other low-income families through the TANF Emergency Contingency Fund (ECF) Program. TANF ECF was created under the American Recovery and Reinvestment Act of 2009. During the time that TANF ECF funding was available for subsidized employment, the AB 98 Program was suspended. When the TANF ECF Program ended on September 30, 2010, the AB 98 Program was reinstated. From the time that the AB 98 Program was reinstated on October 1, 2010, through March 24, 2011, five to

eight California counties, depending on the month, were participating in the program. By comparison, 48 California counties participated in the TANF ECF Program.

The TANF ECF Program structure was different from the AB 98 Program structure primarily in that it provided larger subsidies to help fund employment, there were no time limits on job placements, and more individuals were eligible to participate. On March 24, 2011, the California State Legislature passed SB 72, which included an immediate expansion of the AB 98 Program. SB 72 expanded eligible populations, increased the maximum possible subsidies, and extended the amount of time CalWORKs clients could participate. CDSS released All County Letter 11-32 on April 6, 2011, to formally implement the expanded AB 98 Program and to encourage counties to use the success of the TANF ECF Program as a model to implement or expand AB 98 Programs.

Subsidized employment is one method by which counties can engage clients so as to meet the federal WPR. The WPR is a requirement of the federal TANF program that each state must achieve in order to maintain its annual TANF funding. The WPR requires that 50 percent of all TANF families are engaged in a minimum number of hours each week in federally approved TANF activities.

Cost Neutrality

The expansion of the AB 98 Program was made possible by designing the program to be cost neutral to the state budget. Cost neutrality for the AB 98 Program means that the cost of subsidies is offset by equal savings from reductions to CalWORKs cash assistance. Because the participants' total wages from their employment are applied to the determination of participants' and their families' cash assistance, the state realizes savings from the reductions to cash assistance equal to the amount of the cost of the subsidies.

CDSS collected and analyzed cost neutrality data from August 2011 through January 2012. Ten sample counties offering AB 98 Programs provided cost neutrality data for 1,257 participants. The sample counties were chosen to ensure a statistically valid representation of the state by including various county sizes and locations. Factors that can affect families' CalWORKs cash assistance, such as changes to the number of aided family members in a household and increases in unearned income, can impact cost neutrality. These changes could positively or negatively impact cost neutrality or have no impact at all, for instance when changes resulting in decreases to a family's cash assistance offset changes that result in increases for other cases. The data review demonstrated that changes of these types occurred in less than two percent of all AB 98 Program cases. Given the extremely low frequency of the changes that impact cost neutrality, the data analysis showed that the AB 98 Program is essentially cost neutral.

State Law

SB 72 amended California Welfare and Institutions Code Section 11322.63 in order to expand the AB 98 Program in terms of eligibility, maximum subsidies, and length of participation. Prior to the passage of SB 72, only current CalWORKs recipients participating in Welfare-to-Work were eligible for the AB 98 Program, participation in the program could not exceed six months, and subsidy amounts were capped at half of a family's maximum aid payment, which is the maximum possible cash assistance a family of a given size may be eligible to receive. Welfare-to-Work is for adults receiving cash assistance to participate in activities that assist them with becoming employed.

SB 72 expanded the eligibility for the AB 98 Program for the following individuals, when the individuals are not otherwise employed at the time of entry into the AB 98 Program placement:

1. Aided CalWORKs recipients participating in the Welfare-to-Work Program.
 - a. These individuals may continue to participate in a county's AB 98 Program if the family becomes ineligible for CalWORKs due to the subsidized employment income.
2. Individuals in Welfare-to-Work sanction status that will cure their sanctions through the subsidized employment participation.
 - a. These individuals must maintain compliance with Welfare-to-Work to continue in an AB 98 Program-subsidized placement.
 - b. Sanctions are the removal of the adults' portion of cash assistance from the family's cash grant due to failing to meet their Welfare-to-Work participation requirements without having a qualifying reason to do so.
3. Individuals who have exceeded CalWORKs time limits and are receiving Safety Net cash assistance benefits for their eligible children.
 - a. These individuals may continue to participate in a county's AB 98 Program if the family becomes ineligible for CalWORKs due to the subsidized employment income.

AB 98 Program wage subsidies are limited to a maximum of six months for each participant upon entry into the AB 98 Program, unless the county determines that a longer subsidy period is necessary in order to mutually benefit the employer and the participant. If a county makes such a determination, an AB 98 Program subsidy can be available for up to a total of 12 months. The county has the discretion to decide whether or not continuing the subsidy will be beneficial.

Commencing with the expansion of the AB 98 Program under SB 72, CDSS reimburses counties 50 percent less 56 dollars of the total wage costs of a participant for whom a wage subsidy is paid. This amount cannot exceed 100 percent of the family's calculated cash assistance in the month prior to the participant entering the AB 98 Program.

The reason for using this formula $[(\text{gross wage} \times 50\%) - \$56]$ is for cost neutrality as described earlier in the background section. This formula matches the remaining earnings after the calculation of the family's earned income disregard—the amount of earnings not counted against the family's CalWORKs cash assistance—so that when the earnings are applied to the cash assistance, the cost of the subsidy is the same as the resulting reduction to the cash assistance. The cash assistance savings sufficiently offset the cost of the AB 98 Program subsidy and make the program cost neutral. Figure 1 provides an example of how the cost neutrality formula works.

Figure 1

Cost Neutrality: AB 98 Program Subsidy Formula and CalWORKs Earned Income Disregard
<p>AB 98 Program Subsidy Formula: $[(\text{gross wage} \times 50\%) - \\$56]$ not to exceed 100% of the family's CalWORKs cash assistance in the month prior to the client entering the AB 98 Program.</p> <p>Earned Income Disregard Formula (applied to ongoing CalWORKs clients): $[(\text{gross wage} - \\$112) \times 50\%]$.</p> <p>These two calculations align to achieve Cost Neutrality.</p>
<p>Sample:</p> <ul style="list-style-type: none"> • Family of Three • \$638 CalWORKs Cash Assistance in Month Prior to Entry into the AB 98 Program • \$1,000 Monthly Gross Wage for AB 98 Program Participant • $[(\\$1,000 \times 50\%) - \\$56] = \\$444$ <p>\$444 is less than the CalWORKs cash assistance of \$638, so the maximum subsidy that CDSS will reimburse the county is \$444.</p> <p>Apply the Earned Income Disregard to gross wage: $[(\\$1,000 - \\$112) \times 50\%] = \\$444$</p> <p>The cost of the \$444 subsidy is offset by the \$444 reduction to the family's CalWORKs cash assistance resulting in Cost Neutrality.</p> <p>The family will receive a monthly CalWORKs cash assistance amount of \$194 following the participant's entry into the AB 98 Program.</p>

Source: CDSS All County Letter 11-58, August 1, 2011.

Methodology

In order to evaluate the AB 98 Program, CDSS developed protocols for counties to transmit individual-level participant data to a secure website managed by CDSS. Due to the varying availability of data for the outcomes for this report, only some of the data are from January 2011 until the end of the 2011-12 state fiscal year on June 30, 2012. Other data cover a shorter time span due to the time when a county's AB 98 Program started, the availability of matching data from the California Employment Development Department (EDD), or the complexity of analyzing and creating estimates for the WPR.

Starting with July 2011—or the first month a county's AB 98 Program started if later than July—counties reported monthly AB 98 Program data to CDSS, which include client identification numbers, monthly participation information, and income amounts. The client identification number is issued by California's Medi-Cal Eligibility Data System (MEDS) and provides a method to link the individual AB 98 Program participant records to the statewide MEDS, which are used to acquire employer-reported quarterly

earnings from the EDD Base Wage File. The EDD Base Wage File is a database containing the quarterly wage earnings information of individuals in jobs where employers are required to pay into the state's unemployment insurance and disability insurance programs. Since the EDD data do not capture all types of employment, the review of some subsidized employment participants did not result in a match with the earnings data.

Counties' data reports provided the number of CalWORKs recipients who entered the AB 98 Program. The number of CalWORKs recipients who found nonsubsidized employment after the subsidy ends and the earnings of the program participants before and after the subsidy were determined by matching counties' data with the EDD Base Wage File. Lastly, the impact of the AB 98 Program on the state's WPR was determined by considering several scenarios for AB 98 Program participation including comparisons to past federal data for WPR.

Figure 2 shows counties participating in the AB 98 Program as of June 30, 2012, and also the months that each county began their AB 98 Programs following the passage of SB 72.

Figure 2

AB 98 Program: County Data Reporting Start Dates			
County	Start Month	County	Start Month
Alameda	September 2011	San Bernardino	July 2011
Butte	October 2011	San Francisco	September 2011
Fresno	October 2011	San Joaquin	September 2011
Glenn	August 2011	San Luis Obispo	January 2012
Humboldt	August 2011	Santa Barbara	October 2011
Imperial	August 2011	Santa Clara	October 2011
Los Angeles	November 2011	Shasta	July 2011
Mariposa	September 2011	Stanislaus	August 2011
Orange	July 2011	Tehama	August 2011
Placer	September 2011	Trinity	July 2011
Sacramento	July 2011	Yuba	September 2011

Source: CDSS AB 98 Cases by County Report, November 2012.

Outcomes

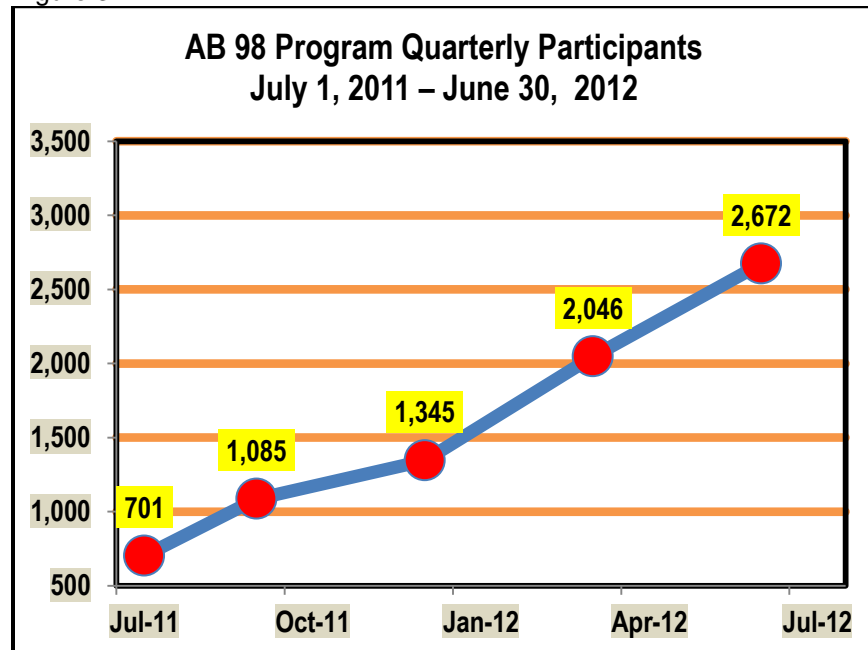
Number of CalWORKs Recipients Who Entered Subsidized Employment

Some counties resumed their AB 98 Programs following the end of the TANF ECF Program. However, consistent county participation data from that time period was not available to accurately represent the size of the program during the initial restoration and counties' expansion of the program in accordance with SB 72.

Regular data reporting of participant data began in July 2011. The number of counties participating in the AB 98 Program grew from five counties in July 2011 to 22 counties by June 30, 2012. During the 12-month period, the AB 98 Program served 4,387

clients. Statewide active client participation grew from 701 participants during the month of July 2011 to 2,672 participants at the end of June 2012. The reason that the quarterly participant number is lower than the total number served is because participants are regularly entering and exiting the AB 98 Program, whereas the quarterly participant numbers represent a snapshot of how many participants are active in the program at a given time. See Figure 3.

Figure 3



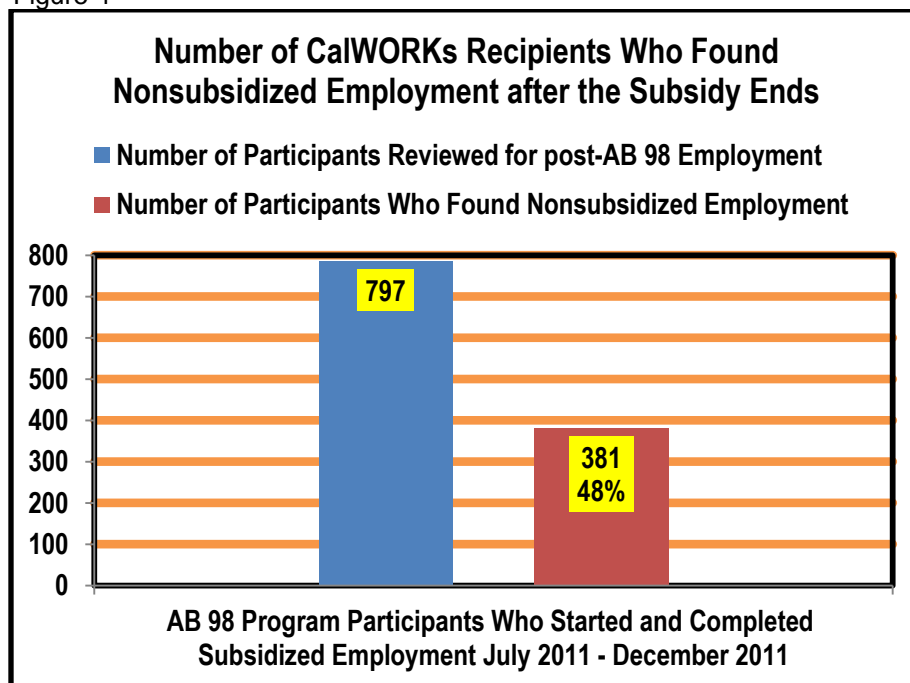
Source: CDSS AB 98 Cases by County Report, July 2011 through June 2012.

Number of CalWORKs Recipients Who Found Nonsubsidized Employment after the Subsidy Ends

Using the EDD Base Wage File matches, CDSS is able to determine if CalWORKs participants obtain nonsubsidized employment after the AB 98 Program subsidy ends. The EDD Base Wage File data are available on a quarterly basis several months after the employers report wage information to the EDD. At the time this report was developed, the most recent EDD Base Wage File data available were from the third quarter of state fiscal year 2011-12 (January 2012 through March 2012) for AB 98 Program participants from July 2011 through December 2011.

Of the more than 1,300 participants in the AB 98 Program from July 2011 through December 2011, 797 had completed their placements. Only those participants who had completed their placements could be evaluated for post-AB 98 Program nonsubsidized employment. On average, the 797 reviewed participants were in the AB 98 Program 12.2 weeks: the minimum was one week and the maximum was 25 weeks. Of the 797 former participants, 381 (48 percent) obtained nonsubsidized employment in the quarter following their participation, as shown in Figure 4.

Figure 4



Sources: CDSS AB 98 County Reports, July 2011 – December 2011; EDD Base Wage File, January – March 2012.

Earnings of Program Participants before and after the Subsidy

As with the recipients who found nonsubsidized employment after the end of their AB 98 Program subsidies, the time period for this earnings analysis is restricted to participants with start and end dates between July 1, 2011, and December 31, 2011. Furthermore, since the EDD Base Wage File is the source for quarterly earnings information, data were available only for January 2012 through March 2012. Figure 5 shows how many of the 797 participants were from each county and the counties' AB 98 Program start months.

Figure 5

CalWORKs AB 98 Program Participants Starting and Ending Between July 2011 and December 2011			
County	AB 98 Participants	AB 98 Start Month	Percent Of Total
Fresno	9	October 2011	1.1%
Glenn	1	August 2011	0.1%
Humboldt	47	August 2011	5.9%
Imperial	99	August 2011	12.4%
Los Angeles	2	November 2011	0.3%
Mariposa	1	September 2011	0.1%
Orange	34	July 2011	4.3%
Sacramento	96	July 2011	12.1%
San Bernardino	369	July 2011	46.3%
San Francisco	11	September 2011	1.4%
San Joaquin	17	September 2011	2.1%
Santa Clara	19	October 2011	2.4%
Stanislaus	90	August 2011	11.3%
Tehama	1	August 2011	0.1%
Yuba	1	September 2011	0.1%
Total	797		100%

Sources: CDSS AB 98 County Reports, July 2011 – December 2011; EDD Base Wage File, January – March 2012.

Figure 6 displays the number and percent of the AB 98 Program participants who were receiving CalWORKs cash assistance for each month after their start in the AB 98 Program. These results are from MEDS, which tracks monthly social service program enrollment. In their first month in the AB 98 Program, 11 percent of the 797 participants were no longer receiving CalWORKs cash assistance for varying reasons including income exceeding the amount allowed for CalWORKs eligibility. By January 2012, when participation in the AB 98 Program ended for the 797 participants in this group, nearly half (49.6 percent) were no longer receiving CalWORKs cash assistance.

Figure 6

CalWORKs AB 98 Program Participants On and Off Cash Assistance Status from Participation Start Month				
Month Since Start	Number On	Percent	Number Off	Percent
One	709	89.0%	88	11.0%
Two	682	85.6%	115	14.4%
Three	630	79.0%	167	21.0%
Four	557	69.9%	240	30.1%
Five	497	62.4%	300	37.6%
Six	446	56.0%	351	44.0%
Seven	402	50.4%	395	49.6%
Eight	375	47.1%	422	52.9%
Nine	344	43.2%	453	56.8%

Sources: CDSS AB 98 County Reports, July 2011 – December 2011; EDD Base Wage File, January – March 2012.

Figure 7 displays earnings results from matching the AB 98 Program participants with the EDD Base Wage File. Because the EDD data capture earnings for each year's quarter, some participants were found to have earnings before their participation in the AB 98 Program. However, since participation in the AB 98 Program is limited to individuals without earnings in the month prior to entry into the subsidized employment placement, it is assumed that those earnings may have occurred in the other preceding months in the quarter. This table displays results for five different earnings outcomes for pre- and post-participation in the AB 98 Program. The single largest group of the participants, 46.7 percent, had no earnings in the quarter before entry or in the quarter after the end of the subsidy. About one-third (33.9 percent) had no earnings in the quarter before entry but experienced increased earnings after the end of the AB 98 Program wage subsidy. The remaining 19.4 percent had varying results. Overall, 44.1 percent had improved earnings outcomes, while just 9.2 percent experienced reduced earnings.

Figure 7

CalWORKs AB 98 Program Participants Quarterly Earnings Compared Before and After AB 98 Subsidy Ends		
Earnings Status	Participants	Percent
No Earnings Before or After	372	46.7%
No Earnings Before With Earnings After	270	33.9%
Earnings Before and After with Decrease	30	3.7%
Earnings Before and No Earnings After	44	5.5%
Earnings Before and After with Increase	81	10.2%

Sources: CDSS AB 98 County Reports, July 2011 – December 2011; EDD Base Wage File, January – March 2012.

As shown in Figure 8, on average, quarterly earnings increased by \$1,289 for all participants (including those without earnings after participation). Prior-to-entry earnings averaged \$332, and in the quarter after the end of the subsidy, earnings averaged \$1,621. For those participants with earnings before and after the end of the AB 98 Program, the average increase was from \$517 to \$3,391, a difference of \$2,874.

Figure 8

CalWORKs AB 98 Program Participants Quarterly Earnings Compared Before and After Participation	
Earnings Status	Average Quarterly Earnings
All Participants with or without Earnings after AB 98 Subsidy Ends	797 Participants
Quarter Before AB 98 Participation	\$332
Quarter After AB 98 Participation	\$1,621
Increase	\$1,289
Participants with Earnings in Quarter after AB 98 Subsidy Ends	381 Participants
Quarter Before AB 98 Participation	\$517
Quarter After AB 98 Participation	\$3,391
Increase	\$2,874

Sources: CDSS AB 98 County Reports, July 2011 – December 2011; EDD Base Wage File, January – March 2012.

Impact of this Program on the State's Work Participation Rate (WPR)

Measuring the impact of the CalWORKs AB 98 Program on the TANF WPR poses some difficult challenges. The relative impact of participation in the AB 98 Program will vary depending on the level of participation in other activities prior to the AB 98 Program, and the level of earnings and CalWORKs eligibility while participating in the AB 98 Program. In order to have sufficient numbers to reasonably measure potential impact, the period of time reviewed is from January 2012 through June 2012 when the program grew from 1,345 participants in January to nearly 2,700 by the end of June. The tables and graphs that follow in this section contain scenarios regarding potential impact on the federal TANF WPR. The WPR data used for estimating purposes are based on 2009 federal government WPR figures for California, the most recent federal data that have been published.

The federal TANF WPR is defined by the number of cases meeting the weekly minimum number of work participation hours required by TANF (numerator) divided by the number of cases required to participate in Welfare-to-Work activities (denominator). Subsidized employment qualifies as an approved federal TANF work activity. If the AB 98 Program participant's average weekly hours are sufficient each month, the participant will meet at least the minimum work requirement and meet the WPR. AB 98 Program participants whose families become ineligible for CalWORKs cash assistance due to AB 98 Program earnings may continue in the AB 98 Program until the end of their subsidized placements, but their participation no longer counts toward the WPR.

Figure 9 shows AB 98 Program enrollments and county-reported WPR for the AB 98 Program participant cases. On average, there were 2,135 participants in the AB 98 Program each month from January 2012 to June 2012. The WPR for these participants averaged 81 percent, or 1,722 cases.

Figure 9

CalWORKs AB 98 Program Participants Average Enrollment January 2012 to June 2012 County-Reported WPR			
County	Participants	Percent Meeting WPR	Estimated Number Meeting WPR
Alameda	44	68%	30
Butte	41	76%	31
Fresno	83	100%	83
Humboldt	53	66%	35
Imperial	54	76%	41
Los Angeles	1,050	80%	840
Orange	118	27%	32
Placer	22	64%	14
San Bernardino	395	100%	395
San Joaquin	51	76%	39
Santa Barbara	12	100%	12
Santa Clara	20	70%	14
Stanislaus	173	83%	143
Tehama	11	55%	6
Trinity	4	100%	4
Yuba	4	75%	3
Total Cases	2,135	81%	1,722

Source: CDSS AB 98 County Survey, October 19, 2012

This table illustrates the potential impact of the AB 98 Program on California's WPR. Assuming all of the AB 98 Program participants would not have otherwise met work requirements if they had not participated in the AB 98 Program, all 1,722 cases would contribute to the WPR numerator.

A factor that may diminish the impact of the AB 98 Program on the TANF WPR is participants and their families becoming ineligible for CalWORKs cash assistance. AB 98 Program participants earning more than the maximum allowable to be eligible for CalWORKs cash assistance are no longer counted toward the WPR, resulting in a negative or offsetting impact to the WPR. Based on the earned income amounts that the counties reported, it is estimated that 23 percent of families with AB 98 Program participants will become ineligible for CalWORKs cash assistance. Figure 10 shows

that the AB 98 Program raises the WPR by 0.5 percentage points after accounting for the participants who become ineligible.

Figure 10

CalWORKs AB 98 Program Cases: Estimated Impacts on the TANF WPR (Federal Fiscal Year 2009 Used for Illustration Purposes)			
Work Participation Status	Baseline Calculation (2009)	Calculation Reflecting the AB 98 Program	Estimated Increase/Decrease to WPR from AB 98 Participants
Cases Subject to Federal Work Requirements	324,800	324,404	-396
Cases Meeting Federal Participation Requirements	86,487	87,813	1,326
Percent Meeting WPR	26.6%	27.1%	0.5%

Sources: CDSS AB 98 County Reports, January 2012 – June 2012; CDSS AB 98 County Survey, October 19, 2012; Work Participation Rates – 2009: U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance.

Conclusion

Since the expansion of the CalWORKs AB 98 Program in March 2011, the number of clients and counties participating in this program has increased substantially. The first reason for the sharp increase is that the cost neutral design of the program allowed counties to create more subsidies without impacting counties' Single Allocation grants, which fund the administration of their CalWORKs Programs. The second reason for the large increase is that SB 72 expanded the eligibility of the AB 98 Program: counties can provide subsidies to more clients for a longer time period, and participants can continue in their subsidized employment until the end of the subsidy even if their families become ineligible for CalWORKs cash assistance due to the AB 98 Program income.

The expanded AB 98 Program is designed to be cost neutral to the state budget. County data from the first year of the program have shown that the cost neutrality strategy is working. The CDSS analysis of the data shows that changes to families' CalWORKs cash assistance that might impact cost neutrality over the course of a participant's AB 98 Program subsidy are rare and even more rarely do the changes create additional cost for the state. In some cases, the impact may reduce costs for the state.

AB 98 Program participation has been steadily increasing from quarter to quarter since SB 72 expanded the program. Additionally, a significant number of participants are obtaining unsubsidized employment, experiencing increases in earnings, and no longer receiving CalWORKs cash assistance:

- The number of California counties participating in the AB 98 Program increased from 8 in March 2011 to 22 in June 2012.
- A total of 4,387 CalWORKs clients have participated in the AB 98 Program from July 2011 through June 2012.
- The number of clients participating in the AB 98 Program on a monthly basis increased from 701 in July 2011 to 2,672 in June 2012.
- Of the 797 participants who had completed the AB 98 Program by December 2011, 49.6 percent had stopped receiving CalWORKs cash assistance.
- Of these 797 participants, 48 percent obtained nonsubsidized employment after the program, and 44.1 percent had improved earnings outcomes.
- The average increase in earnings for the participants who obtained nonsubsidized employment after the program was \$2,874 per quarter.
- The AB 98 Program resulted in a potential 0.5 percent increase in the federal WPR from January 2012 through June 2012. An average of 81 percent of the 2,135 AB 98 Program participants evaluated from January 2012 to July 2012 met WPR.
- The AB 98 Program was determined to be essentially cost neutral, resulting in no increased costs to the state.

As a result of the passage of SB 1041 (Chapter 47, Statutes of 2012) the CalWORKs program underwent significant changes. The most notable change is the establishment of a prospective 24-month time clock for adults to receive a wide array of services and supports to enter and remain in the workforce; after the 24-month period, clients are expected to meet federal WPR requirements. Another significant change due to SB 1041 is that the number of participants in Welfare-to-Work activities is expected to increase as a result of the discontinuation of the ABX4 4 (Chapter 4, Statutes of the Fourth Extraordinary Session of 2009) young child exemptions, which CalWORKs provided over the last few years. Moving forward, subsidized employment can be an increasingly successful part of the CalWORKs program and in the development of strategies to effectively engage clients in Welfare-to-Work activities in order to ultimately move families to self-sufficiency.

The AB 98 Program is an activity that meets both CalWORKs and federal participation requirements. The AB 98 Program also has the potential to impact the number of clients meeting federal WPR requirements. Furthermore, this program provides CalWORKs clients with opportunities to gain real-world skills to obtain a nonsubsidized job and for parents to model responsibility and success for their children as a part of CalWORKs' ongoing effort to strengthen families and foster independence.